

OUTCOME
GOAL 2.2 –
PROTECT
WORKER
BENEFITS

Overview

Employment and labor laws were created to protect a variety of benefits for American workers. The Department of Labor plays a large role in ensuring that worker benefits are protected and that employers pay wages and administer benefit programs appropriately. The Department's key benefit areas include unemployment insurance, support for dislocated workers, assistance to Federal employees who sustain work-related injuries/diseases, and health and pension benefits programs.

Serving the Public

DOL's role in protecting worker benefits arose in response to specific concerns about the well-being of American workers and their families. The Department's Employment and Training Administration, Employment Standards Administration (ESA), and the Pension and Welfare Benefits Administration are responsible for administering the programs that protect worker benefits.

- ESA, through the Federal Employees' Compensation program, has been protecting Federal workers from the effects of work-related injuries since President Wilson signed the first comprehensive law in 1916, to minimize the human, social, and financial costs of job-related injuries.
- The Social Security Act of 1935 authorized the creation of the Unemployment Insurance program to alleviate personal hardship due to involuntary unemployment and to stabilize the economy by ensuring that workers who lost their jobs had a temporary means of support.
- The Davis-Bacon Act assures that Federal contracting practices do not undercut workers' wages in local communities and do not place local contractors and workers in an unfair competitive situation. This is achieved primarily by requiring the payment of locally prevailing wages on Federally financed construction projects.
- In 1963, more than 4,000 workers with vested pension rights lost some or all of their pensions when Studebaker stopped producing automobiles and closed its plants. This experience and similar stories of losses in the private pension system became the major impetus for pension reform through enactment of the Employee Retirement Income Security Act.
- The passage of the Health Insurance Portability and Accountability Act of 1996 limited the circumstances under which an employer may deny health care coverage to an individual with pre-existing medical conditions.

DOL Challenges for the Future

The protection and monitoring of employee benefits systems is vital to both America's workers and the national economy. Americans are living and working longer and will be dependent on pension and health care benefits for longer periods of time. Educating workers about their benefits, as well as about targeted issues such as retirement planning, offer significant challenges for DOL in the future.

PAY UNEMPLOYMENT INSURANCE PROMPTLY

Goal 2.2A: Meet or exceed the Secretary's Standards for promptness in paying worker claims for Unemployment Insurance and deciding appeals.

Results: In FY 1999, nearly all State agencies met the Secretary's Standards for promptness of first payments and appeals, while overall, the percentage of timely first payments and appeals exceeded the Secretary's Standards.

Program Description: The Department's Unemployment Insurance (UI) program establishes the first economic line of defense for workers who lose their jobs through no fault of their own. Authorized by the Social Security Act of 1935, UI was created to alleviate personal and family hardship due to involuntary unemployment and to stabilize the economy.

The Secretary's Standards for promptness of first payments and appeals were established to measure whether UI benefits were issued and appeals decided as quickly as possible to provide unemployed workers with prompt temporary income to replace their lost wages.

Strategies: States failing to meet the Secretary's Standards must include corrective action plans in their annual performance plan. In FY 1999, the Department issued key performance measures and criteria and instructions for a new performance planning and budgeting system, the State Quality Service Plan (SQSP). The SQSP process puts more emphasis on continuous improvement and joint DOL-State cooperation. Thirty-four

States used the SQSP in their FY 2000 program improvement planning and all will use it in FY 2001.

Additionally, the Department trained some 300 State staff in the non-monetary determinations process and another 130 in Benefit Accuracy Measurement.

Goal Assessment and Future Plans: Although the number of States meeting the Standards for the promptness of intrastate payments rose from 1998 to 1999, the FY 1995-1999 erosion is disturbing. This trend is even more problematic as intrastate payments comprise over 95 percent of all payments.

The erosion is due in part to the tightening of the labor market wherein a higher percentage of claims raise issues regarding reasons for separation from work. Such issues require time-consuming adjudication.

This goal will be modified for FY 2000 and FY 2001 to *"Unemployed workers receive timely and fair benefit determinations and timely benefit payments."* This goal explicitly includes the dimension of fairness and reflects the new UI PERFORMS

Percent of Timely First Payments

	Secretary's Standards	Met Standard	National Average
Intrastate claims	87%	46 States	89.6%
Interstate claims	78%	47 States	78.2%
Percent of Appeals Decided Within 30 Days			
Lower Authority	60%	49 States	72.7%

Secretary's Standards:
Intrastate claims -- 87 percent of initial intrastate payments will be made within 14 days of the first compensable week ending date in States with a waiting period and 21 days in States without a waiting period.
Interstate claims -- 78 percent of initial payments will be made within 14 to 21 days. Lower Authority Appeals -- 60 percent of decisions will be rendered within 30 days and 80 percent within 45 days.

Timely Payment History of Intrastate Claims

	Met Standards	National Average
FY 1995	49 States	92.8%
FY 1996	49 States	92.2%
FY 1997	47 States	90.8%
FY 1998	45 States	90.4%
FY 1999	46 States	89.6%

All but seven States/jurisdictions nationwide met the Secretary's Standards; however, the percent of claims paid timely nationwide fell to less than 90 percent.

performance measures and minimum performance criteria issued in 1999. The indicators will be the number of States meeting the new minimum performance criteria for quality in non-monetary determinations and timeliness in initial payments for UI benefits.

Audits and Evaluations: After the Department's Office of the Inspector General reviewed the Internal Revenue Service's (IRS) administrative charges for collecting and processing Federal unemployment taxes for FY 1996, 1997, and 1998, the audit concluded that the trust fund had been overcharged by \$48 million. After its own review, the Treasury Department credited the Unemployment Trust Fund (UTF) \$71 million for excess administrative charges in prior years. The Department is working to convene a multi-agency workgroup in FY 2000 to devise a better method for determining IRS administrative charges.

Research completed in FY 1999 demonstrated that, on average, the UI system reduced the severity of the economy's recessions by 15 percent over the past three decades, cutting job loss by more than 130,000 workers per recession.

A one-time study found that satisfaction with UI is very high—an average of 4.0 on a 5.0 scale, with 42 percent of respondents "extremely satisfied."

See Appendix 3, items 12, 13, and 14, for details of these evaluations. ■

STABILIZE ECONOMIC ACTIVITY THROUGH THE UNEMPLOYMENT INSURANCE SYSTEM

Goal 2.2B: The Average Weekly Benefit Amount (AWBA) will be \$199 by the end of FY 1999.

Results: The Department met its FY 1999 performance target in FY 1998 and exceeded it in FY 1999 as the AWBA continued its upward path.

Program Description: The UI program helps stabilize economic activity by providing temporary income to those who are involuntarily unemployed. Other things equal, higher AWBAs mean larger benefit payments and greater income available to the unemployed. The influx of income to the unemployed also ensures that the economy remains stable by keeping the money supply relatively constant.

Goal Assessment and Future Plans:

For FY 2000, the Department is replacing this goal with a more explicit goal of promoting the Federal-State UI system's economic stabilization capacity by:

- Maintaining or increasing the rates of benefit reciprocity and wage replacement;
- Maintaining system solvency; and
- Improving the fairness with which the UI tax burden is distributed among subject employers.

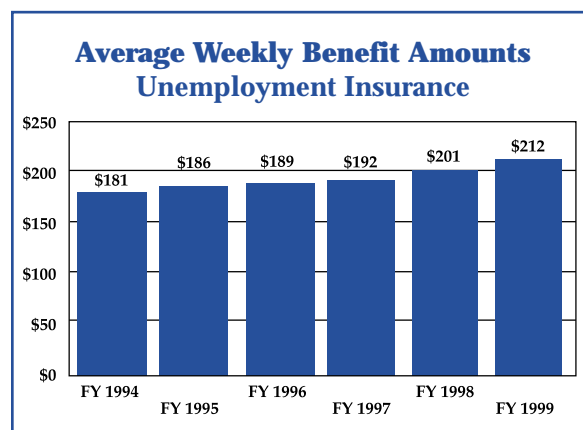
These combined indicators give a much fuller sense of the system's capacity to stabilize economic activity.

The Department's UI Reform initiative emphasizes expanding UI eligibility for low-wage and part-time workers and increasing States' solvency. In FY 1999, 13 States received Significant Improvement

grants to improve reemployment services to UI claimants. For FY 2000, States received an additional \$35 million to improve program integrity.

Audits and Evaluations:

Research completed in FY 1999 demonstrated that, on average, the UI system reduced the severity of the economy's recessions by 15 percent over the past three decades, cutting job loss by more than 130,000 workers per recession. See Appendix 3, item 14, for further details. ■

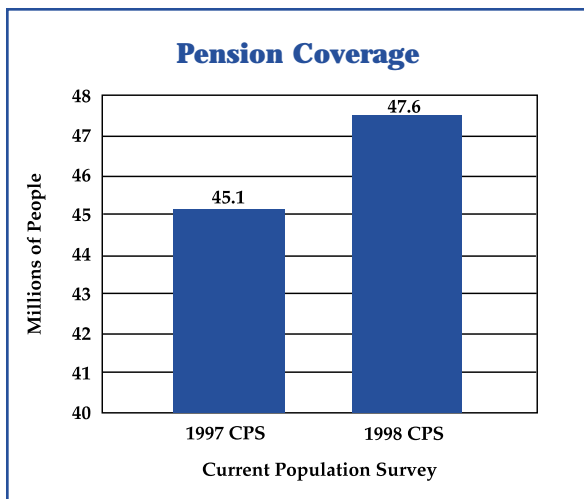


EXPAND PENSION COVERAGE, PARTICULARLY AMONG WOMEN, MINORITIES, AND SMALL BUSINESS WORKERS

Goal 2.2C: Increase by one percent the number of workers who are covered by a pension plan sponsored by their employer, particularly women, minorities, and workers in small businesses.

Result: The Department of Labor's performance exceeded this goal. The number of private wage and salary workers in pension programs

increased from 45.1 million in 1997 to 47.6 million in 1998, an increase of five percent. With respect to those groups where pension coverage has been historically lower, the increase among women was five percent; among minorities, six percent; and among workers in small businesses, eight percent.



Program Description: Improving the financial security of Americans during their retirement years is a major priority of the Secretary. More specifically, expanding pension coverage to those Americans who have historically experienced low pension coverage is of particular concern.

Analysis of Results: This goal is measured by calculating the number of private wage and salary workers in pension programs. The data suggests

that the Department was successful in achieving a primary performance goal that directly helps improve the lives and conditions of American families—ensuring better security in retirement.

Strategies: Many factors contribute to the expansion of pension coverage, including the structure and health of the economy (e.g., level of employment and economic growth, sectoral shifts in economic activity) and demographics (aging population, increasing numbers of women and minorities). In addition, the Department contributes through aggressive educational strategies, such as the Retirement Savings Education Campaign, targeted public service announcements, promotional cards in tax returns, an 800 telephone line, interactive websites and videos for small businesses. In addition, the Department partners with other organizations to discuss ways to reach out to their members regarding health and pension benefits, coverage and rights.

Goal Assessment and Future Plans: In FY 2000, the Department plans to pursue education and outreach and anticipates continued expansion of pension coverage. The Department will continue to aggressively educate stakeholders regarding the importance of retirement planning, particularly participation in pension plans. ■

IMPROVE HEALTH CARE PORTABILITY AND CONTINUITY

Goal 2.2D: Promulgate final health benefit and regulatory guidance, including technical advice, implementing the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Newborns' and Mothers' Health Protection Act of 1996 (NMHPA), and the Mental Health Parity Act of 1996.

Result: The Department made significant progress during FY 1999 by issuing interim final regulations under the NMHPA. Interim final rules under the other two laws were issued prior to FY 1999. In addition, to coordinate efforts with other Federal agencies responsible for administering their respective portion of the laws, the Department entered into a Memorandum of Understanding with the Department of Health and Human Services and the Department of the Treasury. The Department also launched a Health Benefits Education Campaign and issued new and updated health care publications.

Program Description: The Congress passed landmark legislation in 1996 governing certain health benefit entitlements that impact more than 125 million people receiving health benefits under ERISA plans. The Department was assigned regulatory, interpretive, enforcement, and disclosure responsibilities under these laws.

Analysis of Results: These new laws establish Federal requirements for virtually all of the nation's private health benefits programs. These initial steps, while not quantified, establish the foundation for addressing important issues like improved portability and continuity

of health insurance coverage among employers, preexisting condition exclusions, special enrollment rights, and prohibition of discrimination against individuals based on health-related factors.

Strategies: The Department developed a compliance guide checklist for enforcement personnel and conducted a limited pilot to ascertain the initial degree of compliance with the new health care laws. The Department is currently analyzing the results of the pilot and will further tailor the enforcement efforts, as appropriate, based on the results.

Goal Assessment and Future Plans: The Department will not maintain this goal but will begin reporting on health initiative results as a separate and distinct measure in FY 2001.

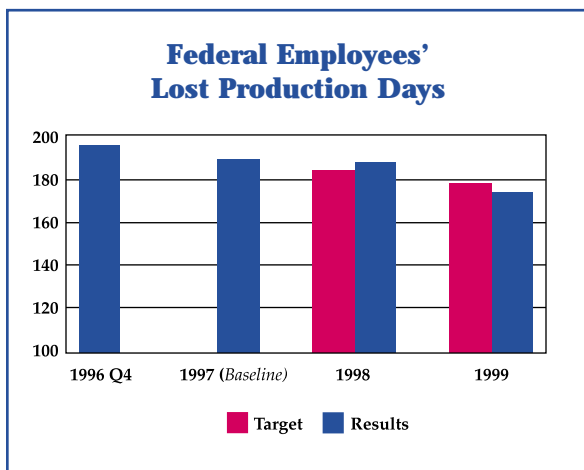
For FY 2000, the Department has included a new goal to measure the results of customer assistance efforts by measuring health and pension benefit recoveries as a result of Benefit Advisers' assistance. In FY 1999, the Department achieved benefit recoveries in excess of \$62 million. ■

HEALTH PLAN BENEFITS PROTECTED FOR RECONSTRUCTIVE SURGERY

When a breast cancer survivor was denied health coverage for post-mastectomy reconstructive surgery, her doctor was outraged and contacted the Pension and Welfare Benefits Administration (PWBA). She could not believe that a health plan would refuse coverage for reconstructive surgery when the partial mastectomy and radiation treatment left her breast severely deformed. The Women's Health and Cancer Rights Act of 1998 was enacted to protect such patients by requiring health plans to provide benefits for post-mastectomy effects. PWBA made sure this breast cancer survivor got the coverage she was entitled to and she had the reconstructive surgery.

ASSIST EARLY RETURN TO WORK

Goal 2.2E: Return Federal employees to work following an injury as early as appropriate, as indicated by a six percent reduction from the baseline in production days lost due to disability for cases in the Quality Case Management program.



Result: The average number of production days lost in Quality Case Management (QCM) cases was reduced by 8.5 percent to 173 calendar days in FY 1999, a 16-day reduction compared to

the FY 1997 baseline, resulting in a savings of approximately \$9.6 million in compensation benefit costs.

Program Description: DOL administers, through the Employment Standards Administration (ESA), three primary disability compensation programs that provide benefits to

certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease. One of these programs, the Federal Employees' Compensation Act program, affords income and medical-cost protection to civilian employees of the Federal government and certain other groups.

Analysis of Results: Reducing lost production days promotes Federal workforce security. The objective is to reduce disability in the early stages following a work injury through better medical care and reemployment assistance. In FY 1999, ESA intervened in more than 12,000 QCM cases, assigning nurse case managers to coordinate among medical providers, ESA's claims and rehabilitation staff, and Federal employers. Statistics indicate that with this assistance, 90 percent of the injuries resolved and the injured return to work within 30 months.

Goal Assessment and Future Plans:

The indicator used for this goal (average calendar days of disability in QCM cases) is an interim measure covering only long-term cases for which the Department maintains full disability data.

SUPPORTING INJURED WORKERS – MEDINA, OHIO

On February 7, 1999, three Federal agents of the Bureau of Alcohol, Tobacco, and Firearms (ATF) were seriously injured in a crash of their small plane as they attempted to take off from the airport in Medina, Ohio. By the next day, staff members from the Department's Employment Standards Administration were at the hospital, working with the claimants and their families.

While the agents and their families concentrated on recovery, ESA staff members and ATF handled the paperwork and made sure the agents received all the care they required and all the benefits they were due.

The Presidential Initiative, Federal Worker 2000, established several goals for Federal agencies including reducing injuries, speeding reports of injuries, lowering injury rates in high incidence work sites, and lowering the average number of lost production days. In conjunction with the latter goal, DOL will refine its lost production day measurement in FY 2000 and establish a baseline for measuring all disability cases, including measurement of time lost during the "Continuation-of-Pay" period. ■

LONG-TERM DISABILITY CASE REVIEW

Goal 2.2F: Produce \$19 million in first-year savings through Periodic Roll Management.

Result: The Department's performance exceeded this goal. The Periodic Roll Management (PRM) teams completed case actions on nearly 7,000 long-term cases, and saved \$20.8 million in compensation costs during FY 1999.

Program Description: The Department of Labor administers, through the Employment Standards Administration (ESA), three primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injuries or diseases. The Federal Employees' Compensation Act (FECA) program affords income and medical-cost protection to civilian employees of the Federal government and certain other groups.

Analysis of Results: PRM is aimed at quality management of the long-term disability roll, improving service to disabled beneficiaries, rehabilitating and reemploying the partially disabled, and adjusting benefits to accurately reflect eligibility.

Periodic Roll Management has proven highly successful in identifying the potential for return to work and resolving cases leading to greater savings in compensation benefits (an additional \$317 million between 1992 and 1998).

PRM case actions continue to contribute to the significant reduction in the size of the permanent disability roll (a decrease of 8.2 percent since FY 1992).

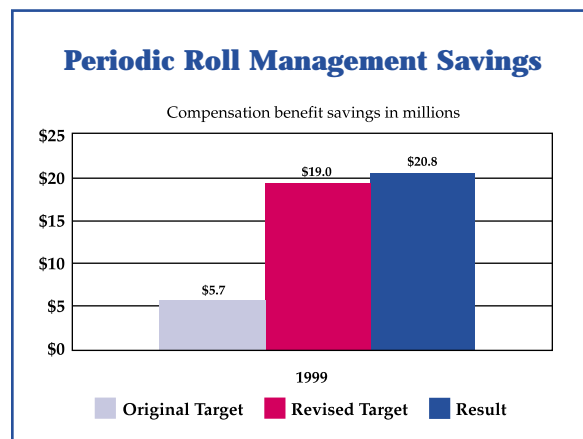
Goal Assessment and Future Plans:

The performance indicator for this goal previously

measured the net additional contribution of PRM to FECA's long-term disability case management operation. The measurement compared benefit savings produced in each

measurement year with PRM to savings produced in a baseline year without PRM. This method was considered valid while PRM operated in "project" status.

In FY 1999, PRM was expanded to all 12 ESA/FECA district offices. Reflecting this expansion and PRM's permanent status in ESA operations, the savings goal was revised in the first quarter of FY 2000 to directly measure the compensation benefit savings produced by PRM case actions in each measurement year without comparison to a base year. ■



HOLD THE LINE ON MEDICAL COSTS

Goal 2.2G: Save 19 percent annually versus amounts billed for Federal Employees' Compensation Act (FECA) medical services.

Results: The Department's performance exceeded both the

original and final goals for cost savings. Use of a medical fee schedule has been successful in controlling physician and other outpatient medical costs since 1986. In January 1999, a fee schedule for pharmacy bills

and the Diagnostic Related Group (DRG) approach (used by the Department of Health and Human Services for Medicare bills) was adopted for hospital inpatient services. Implementing these new cost controls saved \$16.5 million over the amounts billed in FY 1999.

Program Description: Through the Employment Standards

Administration, the Department administers three primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and

survivors of employees who die from job-related injuries or diseases. The FECA program affords income and medical-cost protection to civilian employees of the Federal government and certain other groups.

Analysis of Results: Using a specialized review process, the Correct Coding Initiative (CCI) for improper billings for physician/professional services, and new fee schedules, the original FY 1999 goal was to save \$10.7 million. The new fee schedules (not effective until January 1999) alone exceeded the target by 54 percent, producing \$16.5 million in savings. Combined with the savings of \$106.4 million by the fee schedule for physician services, total medical billings were reduced by 22 percent in FY 1999.

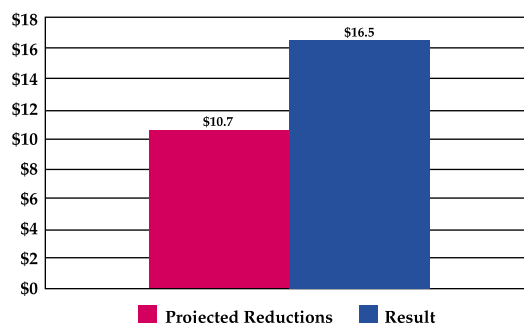
The Department revised the original 1999 savings goal to more fully reflect the impact of cost control by broadening it to include the results of physician/professional fee schedules which have been in effect for several years.

Goal Assessment and Future Plans:

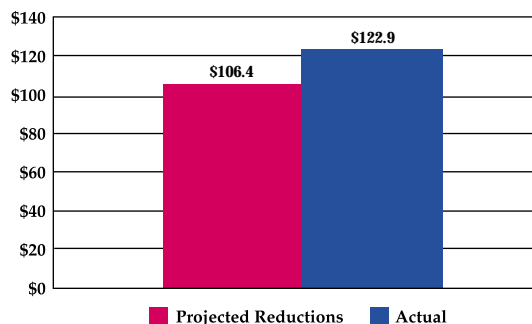
As a result of further assessment of performance and cost control objectives, DOL is revising the medical savings goals for the FY 1999 – FY 2004 planning period. These revisions will capture the cumulative results expected from several medical savings initiatives: full implementation of the inpatient hospital and pharmacy fee schedules; CCI reviews; Focus Reviews; and internal process and quality control revisions.

The CCI bill review is an automation-assisted process that detects improperly coded bills (such as bills "unbundled" into component services to enhance revenue), duplication, overuse or inappropriate use of

Savings from Pharmacy and Inpatient Source Fee Schedules (in millions)



Savings from all Cost Controls (in millions)



services to treat given conditions, and other abuses. Implementation of the CCI medical bill review was delayed in FY 1999 and the full complement of Medical Coding Specialists was not brought on board and trained until September. CCI is expected to save in excess of \$1.5 million annually, over and above the fee schedule savings in FY 2000.

Focus Reviews will identify improper treatment and payment for selected medical conditions and will ensure that billed services are reasonable and related to condition. ■

ISSUE TIMELY AND ACCURATE DAVIS-BACON WAGE DETERMINATIONS

Goal 2.2H: Implement new data collection form and an automated printing and mailing process, and test whether automation can increase the accuracy and timeliness of the survey process and wage determinations.

Results: The Department's Employment Standards Administration (ESA) successfully completed a number of milestones to further the long-term goal of issuing timely and accurate wage determinations including all the specific short-term goals established for FY 1999.

Program Description: The Employment and Standards Administration is responsible for determining and issuing wage rates for covered Federally-funded and assisted construction projects. The primary purpose of the Davis-Bacon Act is to assure, by requiring the payment of locally prevailing wages, that Federal contracting practices do not undercut workers' wages in the community and do not place local contractors, and local workers, in an unfair competitive situation.

Analysis of Results: ESA completed a number of milestones and short-term goals to further the long-term goal of issuing accurate and timely wage determinations. For this overall initiative, the following reinvention steps were completed:

- The Bureau of Labor Statistics (BLS) conducted fringe benefit pilot surveys in Jacksonville, FL and Tucson, AZ in FY 1998 and in Salt Lake City, UT and Toledo, OH in FY 1999. BLS published the results of the Salt Lake City survey in the

third quarter of FY 1999 and expects to publish the results of the Toledo survey in the near future.

- BLS' Occupational Employment Statistics (OES) program collects data on wage and salary workers in non-farm establishments to produce employment and wage estimates for more than 750 occupations. The OES program surveys approximately 1.2 million establishments (400,000 per year over three years) and produces occupational wage estimates for geographic areas at the national, State and metropolitan area levels. In FY 1999, BLS calculated OES survey results for the construction industry in selected metropolitan statistical areas (MSAs). The results are based on two-thirds of the full OES sample. Results from the full sample will be available in the third quarter of FY 2000.
- A preliminary evaluation of the first three fringe benefit pilots and the two-thirds OES sample data has been conducted. Although both surveys produced results by occupation for the construction industry as a whole, the surveys produced only a small amount of data broken down by type of construction. A more detailed final analysis of the BLS data will be conducted in FY 2000, after data from the full OES sample are available.

Also, ESA completed reengineering implementation objectives to:

- Implement the new Report of Construction Contractors' Wage Rates (Form WD-10) and have the electronic version prepared for clearance. The Office of Management and Budget (OMB) cleared the new paper WD-10 form during the fourth quarter, and the new form will be used for all future

Davis-Bacon wage surveys. An electronic version of the WD-10 form has been drafted and will be submitted to OMB for clearance during FY 2000.

- Test the efficiency and effectiveness of the new automated printing and mailing process using the Census Bureau. These processes will be used for all future Davis-Bacon wage surveys.
- Test a computer application which provides for the display of automated contractor information and associated WD-10s at the beginning of the business process to help analysts manage WD-10s during the entire cycle of collection, analysis and followup. This application was successfully pilot-tested during the fourth quarter as part of the Colorado survey and demonstrated the advantages of analysts receiving pre-keyed WD-10s electronically rather than in paper form.
- Test the imaging process. An imaging program has been developed to facilitate data entry from the imaged document. The program was successfully tested with sample data and pilot tested with actual data during the fourth quarter as part of the Statewide survey of Colorado.
- Implement a field test of the Computer Assisted Telephone Interview (CATI) system. A preliminary review of the hardware and telephony capabilities of ESA's Wage and Hour regional offices has been conducted. A prototype CATI system, applying screen-based telephony technology utilizing the analyst's computer terminal to facilitate the processing of both incoming and outgoing calls, was successfully tested during the fourth quarter as part of the Colorado survey.

Strategies: Alternative data sources will be evaluated, while new technologies will be tested for feasibility. Finally, procedures to improve the timeliness and accuracy of wage determinations will be implemented.

Goal Assessment and Future Plans: In the Department's FY 2000 Annual Performance Plan, the goal is to complete an analysis of both Davis-Bacon reengineering and reinvention options. During the year, an evaluation of alternative data sources will be completed and new automated computer-assisted processes will be tested.

Audits and Evaluations: In 1999, the General Accounting Office (GAO) released two reports analyzing the Department's Davis-Bacon wage survey process. In its January 1999 report, GAO reviewed the wage survey verification process and found that the verification efforts completed to date may have a significant impact on improving the accuracy of future wage determinations by deterring the submission of fraudulent and inaccurate data, educating contractors on how to complete wage data forms, and providing the Department with information to use in its long-term reengineering efforts. Nevertheless, GAO made three recommendations on the verification procedures. All three have been implemented by the Department.

In May 1999, GAO evaluated the Department's procedures for improving the wage determinations process and concluded that the ongoing initiatives have the potential to improve the timeliness and accuracy of Davis-Bacon wage determinations. ■